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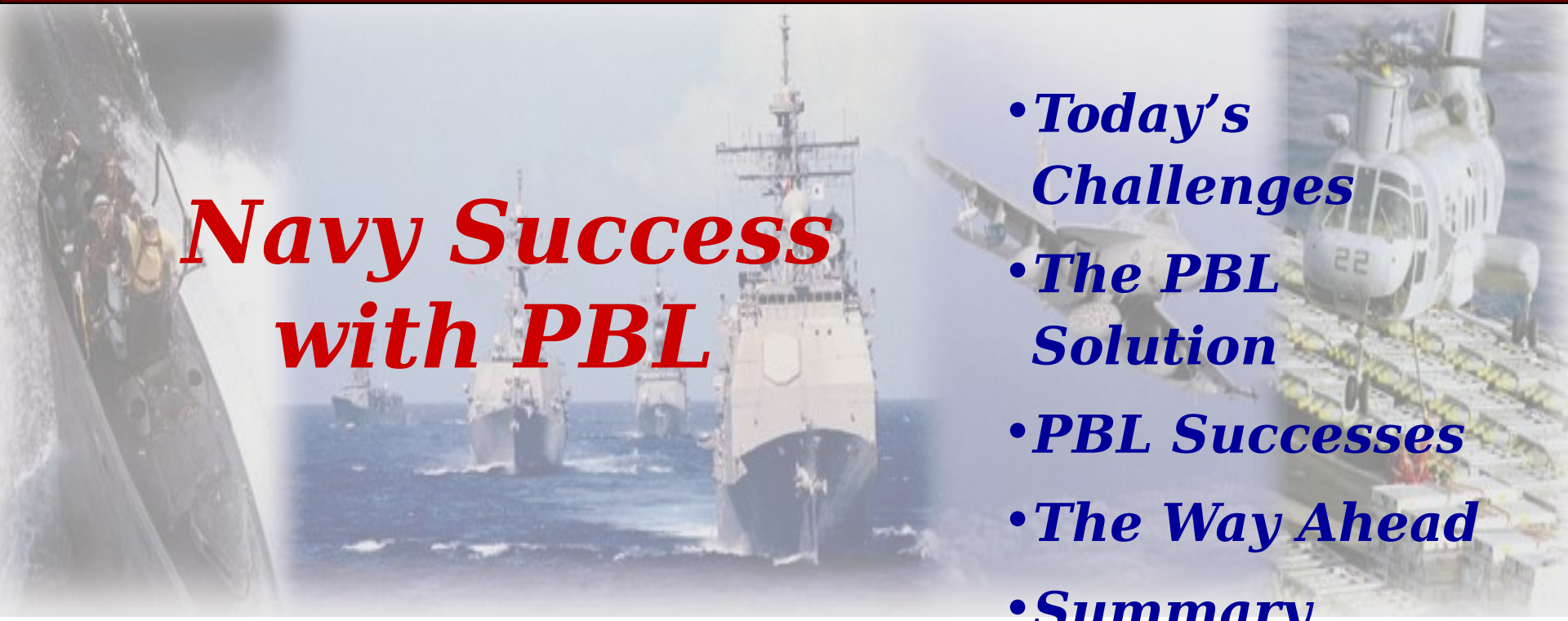
NAVAL INVENTORY CONTROL POINT

NAVICP's PBL Perspective



Navy Success with PBL

- Today's Challenges
- The PBL Solution
- PBL Successes
- The Way Ahead
- Summary

Ready. Resourceful. Respo

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Today's Challenges

War on Terrorism

Support Current Warfighter Deployments with an Aging Arsenal

Reliability Down
Obsolescence Up
Costs Up

+

Battle against Cost

Meet CNO Enterprise Objectives

Achieve Cost Savings to Recapitalize our Force

New Strategies for Today's Environment Required

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The PBL Solution

A Different Acquisition Strategy

Pre - 1996 | **1997 - 1999** | **2000 and Beyond**

Traditional Inventory Mgmt

Buying Parts to Address Failures

Managing Supplies

Supply Chain Management

Attacking Logistic Failures

- ✓Improve Reliability
- ✓Resolve Obsolescence
- ✓Integrate Support Solutions

Managing Relationships and Outcomes

- ✓Customer Focused Goals
- ✓Gov't/Industry Partnerships

Turning to Commercial/Government Best Practice

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The PBL Solution

Alternative logistics support solutions that transfer traditional DoD inventory management, technical support, and supply chain functions to the provider for a guaranteed level of performance at the same or reduced cost.

PBL Supplier Roles

- *Warehousing*
- *Requirements determination/forecasting*
- *Engineering/tech services*
- *Transportation*
- *Repair/overhaul/replace decision*
- *Consumable piece parts*
- *Obsolescence management*
- *Configuration management*
- *Technology/reliability insertion*

Purpose

Cultivate *Long Term* Partnerships With Industry

Lower Response Time
Lighten Logistics Footprint
Increase Availability

Leverage Commercial Supply Chain Solutions

A Reengineering Tool to Improve Readiness through Reliability

The PBL Solution

Why PBL Works

- *Navy buys comprehensive performance package… not individual parts*
- *This approach totally reverses vendor incentive*
  - *Fixed price "pay for performance" contract now motivates vendor to reduce failures / consumption*
  - *Long term commitment enables vendor to balance risk vs. investment*

Vendor Actions

- ***Improves Parts Support*** *… Material availability increases + Logistics Response Time (LRT) decreases resulting in Improved Readiness*
- ***Optimizes Depot Efficiency*** *… Repair Turn Around Time (RTAT), Awaiting Parts (AWP), & Work in Process (WIP) decrease*
- ***Invests in Reliability*** *… Mean Time Between Failures (MTBF) improves*
- ***Shortstops Failures*** *… reduces off-station demand*

Procuring the Performance "End-State" … NOT the "How To"

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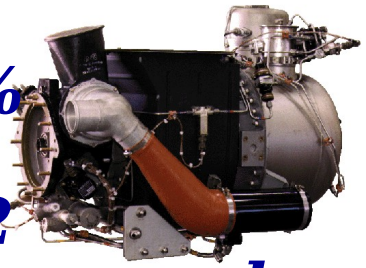
PBL Successes

Auxiliary Power Unit (APU)



SECDEF 2005 Winner

Pre-PBL:
- Material availability: 65%
- Backorders: 125
- Units awaiting parts: 232
- Multiple unincorporated upgrades

PBL:
- Depot Partnership: NADEP Cherry Point provides touch labor
- Guaranteed 90% availability … 95% attained
- Backorders eliminated … 0 units awaiting parts
- Response time reduced from 35 days to 5 days
- Repair Turn-around-time (RTAT) reduced from 162 days to 38 days
- 18 reliability improvements incorporated; over 60

PBL Successes

AEGIS

Pre-PBL:

- ***Material availability: 62%***
- ***Backorders: 155***

PBL:

- ***Material availability: 94%***
- ***Current backorders: 6***
- ***Repair turn around time reduced***
- ***Repair capability established for item previously managed on as consumable***

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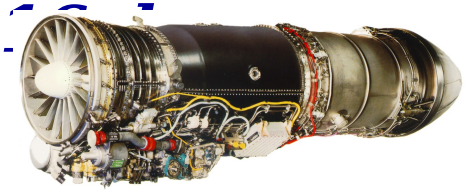
PBL Successes

F404 Engine

Pre-PBL:

- ***Material availability: 43%***
- ***Backorders: 718 total … including 436 high priority***
- ***Work In Process (WIP): 1264 Units***
- ***Repair Turn-around-time (RTAT): 1[illegible]***

SECDEF 2005 Winner

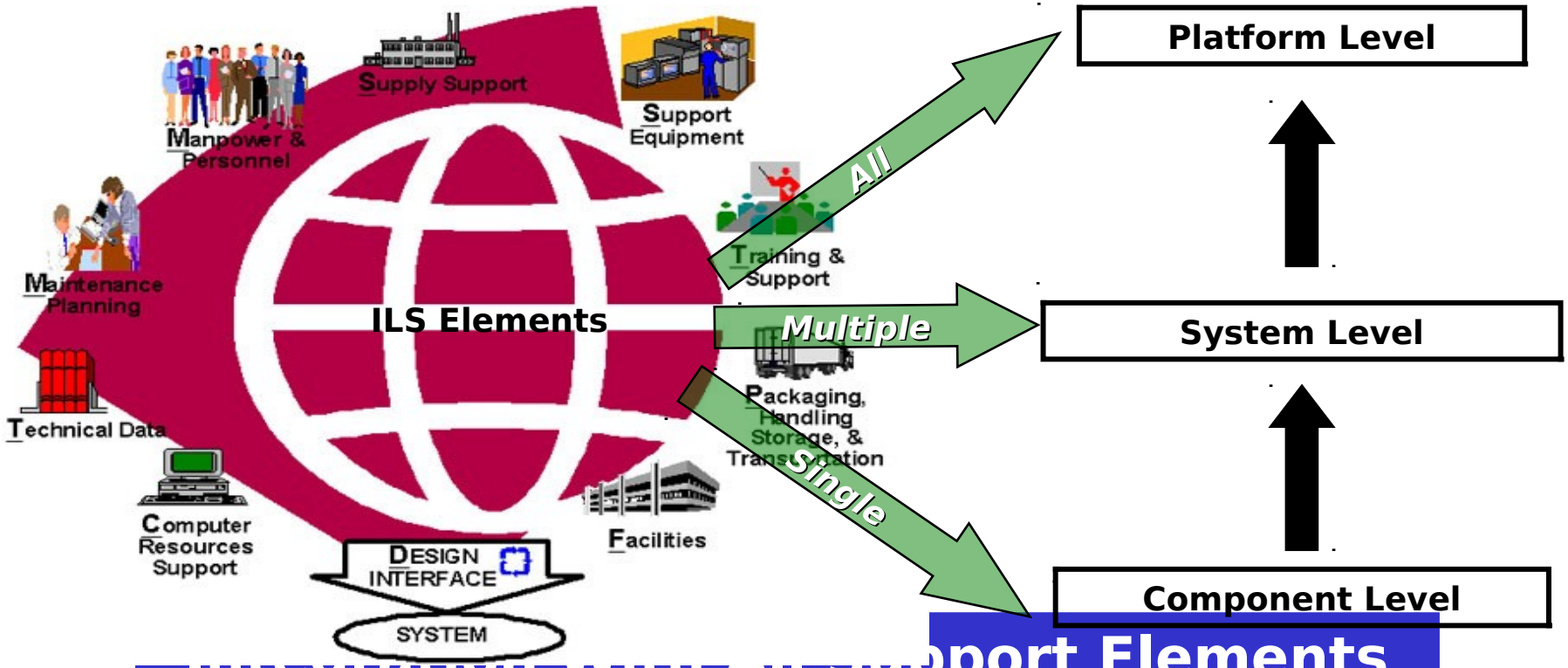


PBL:

- ***Depot Partnership: NADEP Jacksonville provides touch labor***
- ***Guaranteed 85% availability … 99% attained***
- ***Backorders eliminated … 0 IPG 1, 0 total***
- ***WIP reduced by 75%***
- ***RTAT reduced by 25%***

The Way Ahead

Making PBLs "Bigger" and "Broader"



Integration With All Support Elements Provides Greater Opportunities For Optimal Support

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Summary

- **Naval Support Challenges**
  - Maintain support for aging weapo
  - Realize savings to support recapit
- **The PBL Solution …**
  - Better availability … faster response
  - Industry incentivized to manage obsolescence / improve reliability
- **The Way Ahead**
  - Bigger, broader PBLs … more ILS elements

PBLs … The Enabler to Cost Wise Readiness